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Testimony of

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Co-Director  
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before the

Senate Commerce, Science and Transportation Committee

on

S. 2494

The Multichannel Video Competition Act of 1998

October 1, 1998

With cable rates continuing to soar out of control and neither market forces nor public oversight protecting consumers, Consumers Union<sup>1</sup> believes Congress must step in to promote more competition and hold down rates. We therefore support S. 2494, Senator McCain's "Multichannel Video Competition Act of 1998, and Senator Hatch's substitute amendment to S. 1720, the "Copyright Compulsory License Improvement Act," as appropriate first steps to begin the process of promoting fairness in the cable/multichannel video marketplace.

Since passage of the Telecommunications Act of 1996<sup>2</sup> cable rates have risen about 20 percent, four times faster than the Consumer Price Index (see attached graph of cable rates over time).<sup>3</sup> By comparison, the attached graph shows that for the nearly three years of more extensive cable regulation preceding the 1996 Act, cable rates declined substantially and then slowly rose back to about their original level.

With satellite and other competitors still unable to break cable's stranglehold on the mass market,<sup>4</sup> it is critical that all unfair impediments to competition be removed as soon as possible. By beginning to equalize how satellite and cable are treated under copyright law and establishing a streamlined mechanism for satellite transmission of local broadcast network signals, S. 2494 and S. 1720 should eliminate some of the obstacles that satellite faces in its effort to compete against cable.

In addition, it is critical that important public interest mechanisms -- like the "must carry" rules -- designed to preserve the strength, independence and public interest obligations of commercial local broadcast outlets, not stand in the

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<sup>2</sup> Public Law 104-104, 110 Stat. 56 (1996)

<sup>3</sup> Source: Bureau of Labor Statistics Cable Consumer Price Index and Consumer Price Index - All Urban Consumers, through August 1998

<sup>4</sup> See Testimony of Gene Kimmelman, Consumers Union on S. 1422, and on Cable Rates, before the Senate Commerce, Science, and Transportation Committee, February 12, 1998 and July 28, 1998

way of competition. S. 2494's phase-in of full satellite carriage obligations of all local television stations should enable satellite to expand operations without harming the economic underpinnings of stations that provide consumers diverse programming, important news, information and coverage of local events. And by requiring the Federal Communications Commission (FCC) to develop a test for clear-picture reception of local broadcast stations, S. 2494 will hopefully protect consumers from future confusion over whether a satellite service is appropriately offering network signals from outside the local market – distant signals or “superstations” -- instead of the signals of local stations within that market. This must be done without endangering the economic viability of local broadcasting.

Swift passage of this legislation could prevent current satellite television providers from facing additional obstacles in their efforts to compete against the cable industry. However, much more is needed to protect consumers from the price gouging and monopolistic practices consumers suffer at the hands of their cable companies. As Consumers Union has pointed out in previous testimony, only by putting a lid on cable rates and aggressively dismantling the concentration of power among the largest cable companies, will it be possible to protect consumers during the period when satellite and other potential cable competitors attempt to challenge cable monopolies.<sup>5</sup> We therefore urge you to expand your legislative considerations beyond S. 2924 and S. 1720, and aggressively tackle all the competitive shortcomings in the cable/multichannel video marketplace.

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<sup>5</sup> Testimony of Gene Kimmelman, Consumers Union before the Senate Commerce, Science and Transportation Committee, April 10, 1997, Feb. 12, 1998 and July 28, 1998